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No. 92-1682

In the Supreme Court of the United States

OCTOBER TERM, 1992

EARL JASON LARISCEY, PETITIONER

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether petitioner possessed a trade secret cognizable as a property right under Texas law.

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OPINIONS BELOW

The en banc order of the court of appeals (Pet. App. 39A) is reported at 981 F.2d 1244. The panel opinion of the court of appeals (Pet. App. 18A-31A) is reported at 949 F.2d 1137. The opinion of the Court of Federal Claims (Pet. App. 2A-16A) is reported at 20 Cl. Ct. 385.

JURISDICTION

The judgment of the court of appeals was entered on December 28, 1992. On March 9, 1993, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including April 27, 1993, and the petition was filed on April 22, 1993. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

While incarcerated at the Federal Correctional Institution at Bastrop, Texas, petitioner filed suit against the United States. He claimed that the Bureau of Prisons and the Federal Prison Industries (UNICOR), a government-owned corporation that employs federal prisoners, took his trade secret, thus entitling him to compensation under the Just Compensation Clause of the Fifth Amendment to the United States Constitution. The Claims Court (now the Court of Federal Claims) granted the government's motion for summary judgment. Pet. App. 2A-16A. A panel of the United States Court of Appeals for the Federal Circuit reversed, *id.* at 18A-31A, but the panel's opinion was subsequently withdrawn and its judgment vacated, *id.* at 36A-37A. The en banc court of appeals then affirmed the judgment of the Claims Court by an equally divided court. *Id.* at 39A.

1. Petitioner was incarcerated at the Federal Correctional Institution at Bastrop, Texas, and was employed there by UNICOR in the manufacturing of helmets. UNICOR had manufactured helmets for the military at the Bastrop facility since 1978. Until 1986, UNICOR contracted out the function of pre-cutting Kevlar, a material used to produce the lining of helmets. At that time, UNICOR decided to bring that function in-house. In late 1986, petitioner, using scrap materials from the shop floor, conceived and designed a jig and cutting process to cut Kevlar. In December 1986, petitioner demonstrated the jig to his foreman. Between January and March 1987, UNICOR began to use petitioner's jig. An outside contractor then reproduced the jig in metal form. Pet. App. 2A-4A.[1]

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[1] As this case arises out of our motion for summary judgment, the statement of facts in this paragraph accepts the allegations in petitioner's affidavit as true.

2. Petitioner filed suit against the United States, claiming (among other things) that he was entitled to compensation under the Just Compensation Clause of the Fifth Amendment. The Claims Court granted the government's motion for summary judgment. Pet. App. 2A-16A. It held that petitioner had not possessed a trade secret cognizable as a property right under Texas law, and therefore did not possess a property interest protected by the Fifth Amendment. Pet. App. 8A-12A.

3. A panel of the Court of Appeals reversed and entered judgment for petitioner. Pet. App. 18A-31A. It held that petitioner possessed a trade secret under Texas law. The court of appeals then withdrew the opinion of the panel and vacated the panel's judgment. *Id.* at 36A-37A. An equally divided en banc court subsequently affirmed the judgment of the Claims Court. *Id.* at 39A.

ARGUMENT

Petitioner contends (Pet. 13-19) that the courts below erred in concluding that he had no property interest protected by the Just Compensation Clause of the Fifth Amendment. That contention is erroneous and presents no issue warranting review by this Court.

1. "Property interests * * * are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law." *Ruckelshaus* v. *Monsanto Co.*, 467 U.S. 986, 1001 (1984) (internal quotation marks omitted). Thus, a trade secret cognizable as a property right under state law is protected by the Fifth Amendment. 467 U.S. at 1003-1004.

This case presents the narrow question whether petitioner had a trade secret cognizable as a property right under Texas law. The Claims Court held that he did not, and that judgment was affirmed by the Federal Circuit. The lower courts' interpretation and application of state

law does not warrant review by this Court. See, *e.g.*, *Virginia* v. *American Booksellers Ass'n*, 484 U.S. 383, 395 (1988); *Bishop* v. *Wood*, 426 U.S. 341, 345-346 (1976). In any event, the conclusion of the courts below is correct.

As the Claims Court recognized, Texas law requires that there be "a substantial element of secrecy" for a trade secret to exist. Pet. App. 9A (internal quotation marks omitted); see *American Precision Vibrator Co.* v. *National Air Vibrator Co.*, 764 S.W.2d 274, 276 (Tex. Ct. App. 1988). Here, "it is undisputed that [petitioner] did not keep his jig secret from UNICOR officials." Pet. App. 10A.[2]

To be sure, as the Claims Court noted, Pet. App. 11A, disclosure of information does not mean that a trade secret has been foregone if the disclosing party has a confidential relationship with the party to whom the information is disclosed. See *American Precision Vibrator Co.*, 764 S.W.2d at 276. In this case, however, petitioner admitted that "there was no express confidential relationship" between UNICOR and him. Pet. App. 10A. In addition, the Claims Court correctly found that there was no implied confidential relationship. *Id.* at 10A-12A. Petitioner did not contend "that there were any negotiations between himself and [UNICOR]" regarding the invention. *Id.* at 11A. Moreover, because "trust and confidence are not hallmarks of a relationship between a prisoner and his jailer," *ibid.*, a confidential relationship plainly cannot be inferred from the fact that petitioner was a prisoner and worked for UNICOR in

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[2] This case does not raise the question of the degree to which Texas law would protect trade secrets that were not voluntarily disclosed by a prisoner to prison officials, or the degree to which that question would be affected by rules and practices in the federal prison system. See *Ruckelshaus* v. *Monsanto Co.*, 467 U.S. at 1005-1010.

that status. The fact-bound determination of the lack of a confidential relationship and the resulting lack of a trade secret under Texas law, does not warrant review.[3]

2. Nothing in the decision below warrants review by this Court. The Claims Court simply found that petitioner had no property right under Texas law, and thus no property interest protected by the Just Compensation Clause. That ruling is of limited significance: It involves application of settled principles of one State's law to the unusual facts of this case;[4] it does not conflict with any decision of this Court or of any other court of appeals; and, because the Federal Circuit's order affirms the Claims Court by an equally divided court, it is of no precedential value even in that court, as petitioner concedes (Pet. 14). Further review by this Court is therefore unwarranted.

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[3] Even if petitioner were right that he had a trade secret, he still would have to prove that UNICOR did not have a "shop right" permitting it to use petitioner's invention without charge. The shop right rule "allows an employer to use, without payment to the employee, an employee's invention that was made using the employer's time and/or materials, facilities, or equipment." Pet. App. 29A; see *Wommack* v. *Durham Pecan Co.*, 715 F.2d 962, 965-966 (5th Cir. 1983).

[4] As far as we are aware, this is the only case in which a prisoner has asserted a Fifth Amendment claim based on state law regarding trade secrets. Contrary to petitioner's contention (Pet. 12, 15-16), this case presents no issue concerning trade secrets furnished to a federal agency by government contractors or regulated companies, whose relationship with the federal government is far different from that of a federal prisoner. Moreover, the ruling in this case turns on the specific circumstances of petitioner's work for UNICOR at the Federal Correctional Institution at Bastrop. Neither court below purported to make findings of a more general nature that would concern others who deal with the federal government.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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